



Press Release

King County Investment Pool Rated 'AAAf/S1'

Primary Credit Analyst:

Kammie Lin, New York (1) 212-438-5049;
kammie_lin@standardandpoors.com

Secondary Credit Analyst:

Joel C Friedman, New York (1) 212-438-5043;
joel_friedman@standardandpoors.com

NEW YORK (Standard & Poor's) Jan. 9, 2005--Standard & Poor's Ratings Services said today that it assigned its 'AAAf' credit quality and 'S1' volatility rating to the King County Investment Pool (the Pool). The ratings reflect our opinion on the credit quality and volatility of the Pool's investment portfolio.

Established in 1989, the King County Investment Pool is one of the largest in the State of Washington. This pool is open to all county districts, agencies, and public authorities in King County as an investment option, and currently handles assets for more than 100 districts. The Pool seeks to obtain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital. It achieves this objective by implementing a barbelled strategy of combining two pool structures, a liquidity and core portfolio. The liquidity portion is managed like a money market fund, and is used to meet short-term liquidity requirements, while the core portion employs a short- to intermediate-term bond fund approach that incorporates securities that may contain an average maturity of five years or less. Based on information provided during the past two years, at least 50% of the assets have been allocated to the liquidity portfolio, while the remainder has been in the core portion.

The Cash Management group within the Finance & Business Operations Division of the King County Department of Executive Services manages the Pool. It is managed in line with investment guidelines formulated by the King County Executive Finance Committee, which seek to "maximize the rate of return on its various investment portfolios subject to the safety and liquidity of the instruments authorized under State Law." These investment parameters focus on diversification, maturity, credit risk, and liquidity risk. Mindful of these guidelines, securities purchased for the Pool include U.S. Treasury obligations, CP, triparty repurchase agreements, U.S. Agency obligations including notes and MBS, other LGIPs, CDs, and municipal bonds. With a fair portion in shorter-maturing securities, the liquidity portfolio has maintained a weighted average maturity of between 20 and 70 days, while the combined portfolio has maintained an effective duration of 0.47 years to 1.41 years. The portfolio holdings are diversified and generally held in higher-rated, short-term securities. The 'AAAf' rating assigned to the Pool's portfolio holdings indicates an extremely strong level of protection against losses from credit defaults.

The 'AAAf' credit quality rating is based on our analysis of the credit quality of the Pool's eligible investments and counterparties. The Pool generally invests in high-quality credits, and conducts repurchase agreements and reverse repurchase agreements with highly rated counterparties.

The 'S1' volatility rating assigned to the Pool is based on its conservative investment strategy. As part of its volatility analysis, we assessed the management, portfolio level risk, and comparable historical

return strategies as indicated by King County. We also reviewed the Cash Management group's approach to manage and maintain the portfolio's risk levels within prescribed guidelines and target durations. The 'S1' rating signifies that a fund possesses low sensitivity to changing market conditions, and a level of risk that is less than or equal to that of a portfolio comprised of government securities maturing within one to three years and denominated in the base currency of the fund.

Standard & Poor's credit quality and volatility ratings are based on our analysis of a fund's eligible portfolio investments and strategy, historical return volatility, and management. The seven-category credit quality rating scale ranges from 'AAAF' (highest level of protection) to 'CCCf' (least protection). The ratings from 'AAAF' to 'CCCf' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Volatility ratings range from lowest volatility (S1, with certain funds designated a plus sign {+} to indicate the fund's extremely low sensitivity to changing market conditions) to highest volatility (S6). The ratings are based on analysis of a fund's investment strategy and portfolio risk, including interest rate risk, credit quality, liquidity, concentration, call and option risk, and currency risk. The effects of various portfolio strategies, such as the use of leverage, hedging, and derivative instruments, are also factored into the ratings.

Our analysis seeks to uncover risk sources in a managed fund's portfolio and investment strategies, and to assess the likelihood of losses from credit defaults in the portfolio and the potential impact on returns and net asset-value variability. We monitor fixed-income funds monthly to ensure the consistency of the funds' credit quality and volatility profiles with the assigned ratings.